Oil and Gas Commission
2002 – 2005
Service Plan

Nothing surpasses doing our duty at the OGC

Approvals

103-03822/

The Board of Directors of the Oil and Gas Commission (the Commission) approves and issues this service plan.

On this 23rd day of January, 2002

Derek Doyle
Commissioner

Introduction

This three-year service plan is prepared in accordance with the Budget Transparency and Accountability Act. It is based on the Commission's three-year performance plan titled "Moving Forward" tabled on May 1, 2001. This service plan reflects the mandate of the Commission and the most current operational environment.

This plan describes how the Commission will provide its services through the next three years, from April 1, 2002 to March 31, 2005.

Along with this three year Service Plan the Commission has produced a three-year budget and pro forma financial statements.

Mandate of the Oil and Gas Commission

The Core Services and Deregulation Task Force conducted a review of the Oil and Gas Commission's mandate and services in October 2001. The Task Force confirmed the Commission's mandate as expressed in *the Oil and Gas Commission Act.*

Purposes

The purposes of the commission are to:

(a) regulate oil and gas activities and pipelines in British Columbia in a manner that
  - (i) *provides for the sound development of the oil and gas sector, by fostering a healthy environment, a sound economy and social well being,*
  - (ii) *conserves oil and gas resources in British Columbia,*
  - (iii) *ensures safe and efficient practices, and*
  - (iv) *assists owners of oil and gas resources to participate equitably in the production of shared pools of oil and gas.*

(b) provide for effective and efficient processes for the review of applications related to oil and gas activities or pipelines, and to ensure that applications that are approved are in the public interest having regard to environmental, economic and social effects.

(c) encourage the participation of First Nations and aboriginal peoples in processes affecting them.

(d) participate in planning processes.

(e) undertake programs of education and communication in order to advance safe and efficient practices and the other purposes of the commission.

Outline of the Organization

The Commission is headquartered in Fort St John with offices in Fort Nelson and Victoria. Current plans include the opening of additional offices in other parts of BC when warranted by oil and gas activities.

The Commission is funded by fees paid by industry through the Provincial Government. It is a crown agency, and maintains its own financial and administrative systems. Currently it has 91 employees to whom the *Public Service Act* applies.

The Commission is governed by a two person Board of Directors made up of the Commissioner and Deputy Commissioner appointed by Order-In-Council. The Commissioner reports directly to the Minister of Energy and Mines. The position of Deputy Commissioner is currently unfilled.

Vision

"To be the innovative regulatory leader, respected by stakeholders, First Nations and clients."

Mission

"Regulating Oil and Gas Activity:

- *through fair, consistent, responsible and transparent stakeholder engagement,*
- *for the benefit of British Columbians,*
- *by balancing environmental, economic, and social outcomes."*

Core Values

"We Commit to Integrating the Following in Everything We Do:

- *We continually strive to strengthen relationships with our stakeholders, First Nations, clients, and co-workers by being open and demonstrating integrity.*
- *We are flexible, innovative, and proactive.*
- *We are socially and environmentally responsible.*
- *We will measure our performance and strive for excellence.*
- *We are open to change that enables personal and organizational growth.*
- *We foster a positive attitude and fun in the workplace."*

Environmental Scan

The Commission has reviewed the current operating environments and believes the following may impact its operation during the period of this service plan.

- Relationship with First Nations, communities and stakeholders,
- social and environmental impacts, issues and concerns,
- change of direction of government policy, federal pipeline devolution, move to results and performance-based regulating,
- change to areas of industry interest, regulatory regimes outside NEBC, significant new discoveries, impact of North of 60 pipeline projects, Coal-bed Methane, off-shore development,
- commodity price, competitive investment climate, and costs to industry,
- developing technology and knowledge bases,
- conflicting tenure resolution, and
- community and public concern on health, odour, noise, visual, traffic, and enforcement.

The environmental scan underlies the Commission's planning for possible contingencies and preparations for responding to changes that affect the services the Commission provides or its mandate.

Objectives

The Commission identified four key objectives for meeting its service requirements and mandate, and succeeding in its Mission:

S Enhance Our Single-Window approach to regulating
P Move to a Results and Performance based regulating system
E Continue to improve Efficiency and Effectiveness
C Establish a Collaborative approach with First Nations

Objective			
Enhance our Single-Window approach to regulating by			
Strategies			
• Changing a number of laws providing broader approval and enforcement responsibilities covering water, land, and waste management (2002/2003). • Providing the Commission to investigate and enforce more legislation dealing with the oil and gas industry (2003/2004). • Dealing with all long-term tenuring, as part of the Commission (2003/2004). • Establishing legislative changes and agreements with other agencies to effectively deal with industry outside of NEBC (2002/2003). • Establishing a close synergistic working relationship with Worker's Compensation Board (2003/2004). • Delivering the responsibility under the *Heritage Conservation Act* for oil and gas activities in NEBC (2003/2004). • Establishing a close working relationship with Department of Fisheries and Oceans (2002/2003).			
Performance Measures and Benchmarks			
Our objective is to move to 95% single-window. This would mean that the oil and gas industry would deal with the Commission for 95% of their activities relating to oil and gas. The management team of the Commission will regularly review its activities with industry and stakeholders and make an assessment of where it is. The estimated percentage for the 2001/2002 is 70%. Legislative and regulatory changes to all relevant acts are put forward to broaden the single-one window and remove the legal necessity for the industry to seek approvals from elsewhere. Legislation of general application will continue to apply i.e. *Health Act* and *Workers Compensation Board Act*.			
Performance Measures	**2002/03**	**2003/04**	**2004/05**
% of oil and gas industry regulatory functions inside the Commission's jurisdiction	85%	90%	95%

Objective
Move to Performance and Results Based regulating systems by

Strategies
• Establishing three pilot application projects (2002/2003). • Moving to broad application of project approvals (2004/2005). • Establishing "green initiatives" to reward companies that improve environmental performance and surpass related goals (2002/2003). • Establishing three performance-based pilot projects (2003/2004). • Identifying results that are desired under the Commission's regulatory role and communicate them to industry and stakeholders (2003/2004). • Establishing a rewards and recognition program for industry (2002/2003). • Conducting annual inter-agency compliance initiatives. • Establishing and distributing archeology maps to industry to advance a results-based approach (2003/2004). • Establishing Pipeline Integrity Management program that specifies the results desired, and allows industry to manage their performance to achieve the specified results (2003/2004).

Performance Measures and Benchmarks
Our objective is to have 60% of our application functions based on results. The estimated percentage of results-based regulation for the 2001/2002 is 15%.

Performance Measures	2002/03	2003/04	2004/05
% of applications that are results-based	25%	40%	60%

Objective

Continue to improve effectiveness and efficiency by

Strategies

- Allowing most applications to be submitted, reviewed and decided electronically (2003/2004).
- Improving the core abilities of staff (2002/2003).
- Sharing systems and other resources with other agencies.
- Reviewing all regulations that effect oil and gas activities and recommend elimination of outdated, ineffective, or unduly cumbersome rules (each year).
- Partnering with the Ministry of Revenue and Alberta Energy Utilities Board to deliver the Western Canadian Petroleum Registry (2003/2004).
- Building systems to allow staff to remotely enter and access data, and perform work (2003/2004).
- Improving landowner, stakeholder, and industry relationships through a facilitation role (2002/2003).
- Establishing decision ladders and dispute resolution procedures (2002/2003).
- Moving to a 90% paperless office, providing all non-confidential data on the internet (2003/2004).
- Improving our collection, analysis and communications of data, making it available on a timelier basis and providing additional value to industry (2003/2004).

Performance Measures and Benchmarks

Our objective is to reduce the regulatory burden by 33%, markedly improve the satisfaction of our clients, First Nations, and stakeholders with the Commission, to significantly reduce the time taken to process applications and requests, and to improve the compliance of the oil and gas industry with regulatory requirements. The current regulatory burden (as of September 2001) is 7,874. We have not yet determined the baseline satisfaction of our clients, First Nations and stakeholders. The current average working days to complete an application is 21 days down from an estimated 42 days before the formation of the Commission. The estimated current percentage of compliance is 79% on major regulatory matters.

Performance Measures	2002/03	2003/04	2004/05
Regulatory burden	6,300	5,670	5,197
Satisfaction rate	75%	82%	88%
Average working days to complete an application	18	15	13
% of compliance	84%	85%	86%

Objective
Establish a collaborative approach with First Nations by

Strategies
• Recognizing that recent agreements are but the starting point of a long collaborative journey with First Nations and working to establish the agreements as living documents (2002/2003). • Establishing closer links with First Nation communities by deploying Commission offices and staff in several communities (2002/2003). • Assisting First Nations to interact electronically with the Commission and to facilitate used of GIS systems (2002/2003). • Supporting First Nations communities' involvement through land use and tenure planning participation (2002/2003). • Encouraging and promoting First Nations and aboriginal people working in the Commission (2003/2004). • Encouraging educational and training opportunities for First Nations. • Often facilitating workshops with First Nations on ERPs, H_2S, and other topics of keen interest. • Supporting First Nations in working with other agencies to improve their communities (2003/2004). • Establishing and maintaining a transparent system of contribution payments under all agreements (2002/2003). • Expanding consultation and liaison efforts with McLeod Lake and other First Nation communities in oil and gas areas of pending activity (2002/2003).

Performance Measures and Benchmarks
Our objective is to improve the satisfaction of the First Nations with the Commission and industry. This will be measured as part of the satisfaction index that is listed in the objective of improving effectives and efficient. Agreements and memoranda of understanding are currently in place with: West Moberly First Nation, Blueberry River First Nations, Prophet River First Nation, Halfway River First Nation, and Saulteau First Nations. Agreements are underway with Doig River First Nation and Fort Nelson First Nation.

Performance Measures	2002/03	2003/04	2004/05
See Satisfaction Index in the objective above.			

Environmental Fund

The Commission in partnership with the Province, the oil and gas industry through the Canadian Association of Petroleum Producers and the Small Explorers and Producers Association of Canada has established a 5-year, $5 million fund paid by industry to support research into mitigating the environmental impacts of the oil and gas industry.

The fund is entering its third year and currently is funding 16 projects, totaling $1.4 million.

The Commission is currently reviewing the operation of the fund to enhance it by responding more fully to local needs and considers it a long-term fund. The Environmental Fund is a key component in improving the regulatory efforts of the Commission and maintaining clarity around the environmental issues relevant to the lives of British Columbians.

There are five key areas of research for the Environmental Fund:

- Reducing air emissions and greenhouse gases
- Understanding and mitigating cumulative effects
- Maintaining and enhancing water quality and minimizing waste
- Understanding and mitigating impacts to ecosystem health and integrity
- Providing environmental information to stakeholders and communities

Performance Measures and Targets

We measure several performance indicators to determine if the Commission is meeting its targets and accomplishing its mission. Although our performance measures will not measure every goal they provide sufficient information for the Commission to take appropriate actions. Not all performance measures are completely under the control of the Commission; some are affected by other agencies or events. The targets given below are the best estimates of the Commission. The Commission is in the process of establishing base lines for some of the measures and is continuing to refine and improve its performance management system.

Economic Indicators and Predictions

These items help describe the energy setting in which the Commission functions. They also help understand the challenges facing the Commission and industry. They affect estimates of workload, costs and revenues. Not all indicators are within the total control of the Commission; other parties and events also influence many. These indicators will be developed during the next few months for reporting in the Annual Service Plan Report.

Income Enhancement and Unit Cost Indicators

On December 6, 2001 the BC Government announced its goal of doubling oil and gas investment in BC to $24 billion in six years. As a result of this increase there will be 8,000 more direct jobs in BC and increased revenues for the Province. In 2000/2001 direct revenues for the Province from the industry were $1.9 billion, which was 8% of the total revenue for the Province. Through achieving its goals and working towards its mission, the Commission will support government's goal.

The unit costs for the Commission are a broad indicator of economy and efficiency. Unit cost calculations are based on the total operational cost for the Commission excluding First Nation expenses and the Environmental Fund.

Unit Cost Indicators *{in $s}*	*Actuals* 2000/2001	*Estimates* 2001/2002	*Estimates* 2002/2003
Cost per Land Use Application	3,824	5,628	5,909
Cost per employee	89,057	92,768	94,040
Cost per 10^3 m^3 gas produced	0.36	0.30	0.38

Assumptions on the Future

The costs for the Commission are both fixed and variable. The variable costs relate to First Nations expense. Revenues for the Commission are set to meet our costs, and the per unit levy rate is determined by estimating future oil and gas production. It is predicted that gas production will increase by 8.2% in 2002/2003 and 3.0% per year thereafter. It is predicted that there will be 1100 well applications in 2002/2003, 1200 in 2003/2004, and 1250 in 2004/2005.

Three Year Financial Summary

(in $millions)	2001/2002 Latest forecast	2002/2003 Budget	2003/2004 Forecast	2004/2005 Forecast
Total Revenue	17.6	17.8	21.2	22.0
Revenues from Levy	6.7	5.5	7.7	8.1
Revenues from Fees	10.0	11.0	12.0	12.3
Environment Fund	0.9	1.3	1.5	1.6
Total Expenses	17.1	17.6	21.0	21.8
First Nations	8.2	5.4	5.9	6.1
Operations	8.0	10.9	13.6	14.1
Environment Fund	0.9	1.3	1.5	1.6
Operating Income	0.5	0.2	0.2	0.2
Accumulated Surplus	3.1	3.3	3.5	3.7

People Will Make It a Reality

Knowing one's duty clearly and then doing that duty beautifully is a great accomplishment.

Each member of the Commission team relies upon colleagues to fully discharge their duty with truth, respect and courage. This is what builds a continuously improving team.

Internally, we will broaden people's capabilities through working in teams, providing collateral assignments and delivering over 80 percent of all innovation concepts brought forward.

Externally, we will build a strong community presence with First Nations by locating Commission staff in communities where consultation shows that this is useful, efficient, and consistent with community wishes.

People in every walk of life will find that the Commission seeks and requests their experience and ideas on continuously improving our regulatory, consultation and dispute resolution roles. The extensive knowledge of contractors, consultants, and resource companies needs to be formulated into specific actions for implementation as we move promptly to a performance and results-based regulatory regime. Our regulatory colleagues must also be part of a unifying effort that will build an organization that is respected by stakeholders, First Nations, and clients – an organization where nothing surpasses doing our duty beautifully.

Other Initiatives of the Commission

Projects:

- Revise and update the Environmental Fund Terms of Reference, making it more responsive to local needs (2002/2003).
- Improve our website to enhance services to clients and stakeholders and enhance transparency of the Commission (2002/2003).
- Support and participate in social and cultural events in communities.
- Enhance the consensual alternative dispute resolution process (2002/2003).
- Expand our dialogue and collaboration with non-government organizations.
- Implement a comprehensive recruitment and retention plan.
- Provide regulatory leadership for Coal-bed Methane development in target regions.
- Move from fee and levy based revenues to levy based revenues (2002/2003).